

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 FS-01 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07

H-03 L-03 NSC-10 PA-04 PRS-01 SS-20 USIA-15 ACDA-19

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R 121237Z DEC 73

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 5069

INFO USDOC WASHDC

AMEMBASSY LONDON

AMEMBASSY ROME

USMISSION ANTO

C O N F I D E N T I A L VALLETTA 2445

E.O. 11652: GDS

TAGS: EFIN, MT,UK

SUBJ: NATIONAL BANK SUSPENSION

REF: VALLETTA 2436

1. IN A RARE APPEARANCE ON MALTA TELEVISION PM MINTOFF ANNOUNCED EVENING DEC 11 THAT ON THE ADVISE OF THE CENTRAL BANK OF MALTA THE NATIONAL BANK IS TO SUSPEND ITS ACTIVITIES AS FROM DEC. 12. DURING A CALM "FIRESIDE CHAT" TYEP OF INTERVIEW, MINTOFF ADMITTED HIS STATEMENT IN PARLIAMENT THE PREVIOUS EVENING HAD FAILED TO HALT THE "STAMPEDE" BY DEPOSITORS WHO WITHDREW MORE THAN 1.3 MILLION MALTA POUNDS ON DEC. 11 (ONE MALTA POUND EQUALS APPROX 2.62 DOLLARS)ANOTHER 1.1 MILLION MALTA POUNDS HAD BEEN WITHDRAWN ON DEC. 10, AND 400,000 MALTA POUNDS WERE WITHDRAWN ON FRIDAY, DEC 7.

2. APPEARING WITH CENTRAL BANK RESEARCH DIRECTOR LINO SPITERI,
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WHO MADE NO COMMENT, MINTOFF SAID THERE WAS NO VISABLE REASON FOR THIS PANIC. HE ADDED IT WAS MALICIOUS TO INSINUATE

THAT THIS SITUATION WAS A MOVE BY THE GOVERNMENT TO TAKE OVER THE BANK. THE GOM WANTED TO CARRY OUT A SALVAGE OPERATION AND IT WAS FORTUNATE THAT BARCLAYS HAD AGREED WITH THE GOVERNMENT ON THE NEED FOR RAPID AND DECISIVE ACTION. THE GOM HAD INTERVENED IN THE PUBLIC INTEREST BECAUSE IT WAS CERTAIN THIS WAS NOT A CASE OF FRAUD.

3. MINTOFF EXPLAINED THAT THE MALTA DRYDOCKS AND OTHER PARASTATAL ORGANIZATIONS WHICH PAY THEIR WAGES FROM DEPOSITS IN THE NATIONAL BANK WILL BE ACCOMMODATED BY OTHER ARRANGEMENTS FOR THIS WEEK'S SALARIES.

4. THE NATIONAL BANK OF MALTA WAS CREATED IN 1946 THROUGH THE AMALGAMATION OF THE ANGLO-MALTESE BANK, FOUNDED IN 1809, AND THE BANK OF MALTA, ESTABLISHED IN 1812. IN 1948 THE NATIONAL BANK INCORPORATED ONE OF THE OLDEST LOCAL PRIVATE BANKS, SCICLUNAS BANK. IN 1969 THE NATIONAL BANK ACQUIRED 90 PERCENT OF THE TAGLIAFERRO BANK LTD. THE NATIONAL BANK OF MALTA INCORPORATING THE TAGLIAFERRO AND SCICLUNAS BANKS HAS ABOUT 220 EMPLOYEES. DEPOSITS TOTAL ABOUT FORTY MILLION MALTA POUNDS.

5. A SOURCE IN THE CENTRAL BANK HAS INDICATED THAT LINE SPITERI WILL BE NOMINATED CONTROLLER OF THE NATIONAL BANK AND MAY BECOME THE HEAD OF THE NEW BANK INSTITUTION (SEE REFTTEL) WHICH GOM IS SETTING UP WITH BARCLAYS.

6. COMMENT: DESPITE MINTOFF'S PUBLIC ASSURANCES REGARDING THE ABSENCE OF FRAUDULENT ACTIVITIES, SOME COMMERCIAL SOURCES BELIEVE HE HAS INFORMATION REGARDING IRREGULARITIES ENGAGED IN THE BANK'S DIRECTORS. IN VIEW OF THE PROLONGED CONFINEMENT OF THE PACE BROTHERS, WHO ARE IMPLICATED IN THE BICAL SCANDAL, THESE SOURCES BELIEVE MINTOFF HAD LITTLE DIFFICULTY IN CONVINCING THE NATIONAL BANK'S DIRECTORS TO RUN OVER THEIR SHARES WITHOUT COMPENSATION. WHILE HE APPEARS, THEREBY, TO HAVE ACQUIRED ANOTHER STATE CONTROLLED INSTITUTION AT LITTLE OR NO COST TO THE GOM, THE IMMEDIATE IMPLICATIONS FOR THE MALTESE ECONOMY MAY BE QUITE SERIOUS. THE GRAVITY OF THE SITUATION WAS ILLUSTRATED BY MINTOFF'S ATTEMPT TO CALM THE MALTESE PUBLIC ON T.V. LOCAL BANKING
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SOURCES INDICATE PAYROLLS INVOLVING AT LEAST ONE FIFTH OF THE ISLAND'S EMPLOYED POPULATION, TWENTY THOUSAND, WILL BE DISRUPTED THIS WEEK. AS AN EXAMPLE OF ANOTHER KIND OF COMPLICATION, THE ITALIAN AMBASSADOR HAS REQUESTED AN APPOINTMENT WITH THE MINISTER OF FINANCE SINCE ALL OF THE ITALIAN TECHNICAL ASSISTANCE FUNDS ARE DEPOSITED WITH THE NATIONAL BANK. THE FIRST SECRETARY OF THE ITALIAN EMBASSY ADVISES THAT THE PIONEER CORPS AND OTHER PROJECTS WILL GRIND TO A HALT UNLESS SOME SOLUTION IS WORKED OUT. THERE ARE, OF COURSE, MANY OTHER COMPLICATIONS, TOO NUMEROUS TO LIST. (RFC

PARIS HAS BEEN ADVISED BY SEPTTEL OF BANK'S SUSPENSION AND STATUS
U.S. EMBASSY BALANCE WITH TAGLIAFERRO.) GOLINO

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